

### § 324.3

### 12 CFR Ch. III (1–1–98 Edition)

#### § 324.3 Loss amortization and re-appraisal.

(a) Provided that there is no evidence that the loss resulted from fraud or criminal abuse on the part of the bank, its officers, directors or principal shareholders, a bank that has been accepted under this part may, in the manner described below, amortize on its Reports of Condition and Income:

(1) Any loss on any qualified agricultural loan that the bank would be required to reflect in its annual financial statements for any year between and including 1984 to 1991; and

(2) Any loss that the bank would be required to reflect in its financial statements for any period between and including 1983 to 1991 resulting from a reappraisal or sale of agriculturally related other property.

(b) Amortization under this section shall be computed over a period not to exceed seven years on a quarterly straight-line basis commencing in the first quarter after the loss was or is charged off so as to be fully amortized not later than December 31, 1998.

[52 FR 41968, Nov. 2, 1987, as amended at 53 FR 22134, June 14, 1988]

#### § 324.4 Accounting for amortization.

Any bank which is permitted to amortize losses in accordance with § 324.3 may restate its capital and other relevant accounts and account for future authorized deferrals and amortizations in accordance with the instructions to the FFIEC Consolidated Reports of Condition and Income. Any resulting increase in the capital account shall be included in Tier 2 capital under 12 CFR part 325.

[52 FR 41968, Nov. 2, 1987, as amended at 56 FR 23011, May 20, 1991]

#### § 324.5 Eligibility.

A proposal submitted in accord with § 324.7 shall be accepted, subject to the conditions described in § 324.6, if the Accepting Official finds:

(a) The proposing bank is an agricultural bank;

(b) The proposing bank's current capital is in need of restoration, but the bank remains an economically viable, fundamentally sound institution;

(c) There is no evidence that fraud or criminal abuse by the bank or its offi-

cers, directors or principal shareholders led to significant losses on qualified agricultural loans and agriculturally related other property; and

(d) The proposing bank has submitted a capital plan approved by the Corporation or the Accepting Official that will restore its capital to an acceptable level.

[52 FR 41968, Nov. 2, 1987, as amended at 53 FR 22134, June 14, 1988]

#### § 324.6 Conditions on acceptance.

All acceptances of proposals shall be subject to the following conditions:

(a) The bank shall fully adhere to the approved capital plan and shall obtain the prior approval of the Accepting Official for any modifications to the plan;

(b) With respect to each asset subject to loss deferral under the program, the bank shall maintain accounting records adequate to document the amount and timing of the deferrals, repayments and amortizations;

(c) The financial condition of the bank shall not deteriorate to the point where it is no longer a viable, fundamentally sound institution;

(d) The bank shall agree to make a reasonable effort, consistent with safe and sound banking practices, to maintain a percentage of agricultural loans and agriculturally related other property to total loans which is not lower than the percentage of such loans in its loan portfolio on January 1, 1986; and

(e) The bank shall agree to provide the Accepting Official, upon request, with such information as the Accepting Official deems necessary to monitor the bank's amortization, its compliance with conditions, and its continued eligibility.

[52 FR 41968, Nov. 2, 1987, as amended at 53 FR 22134, June 14, 1988]

#### § 324.7 Submission of proposals.

(a) A bank wishing to amortize losses on qualified agricultural loans or agriculturally related other property shall submit a proposal to the Division of Supervision regional director of the region in which the bank is located.

(b) The proposal shall contain the following information: